



2023

Implemented Consulting Net Zero Report



Contents

Introduction	2
Our Net Zero Perspective	3
Integrating Net Zero into our Implemented Consulting Business	4
Portfolio Coverage	4
50% Global Emissions Reduction by 2030	4
JANA Net Zero Targets	6
1. Manager Alignment Target	6
2. Investment Target	7
3. Portfolio Alignment Target	7
Governance	8
Reporting and Next Steps	9
Disclaimer	10

Introduction

JANA has made a Net Zero commitment, and is a founding member of the Net Zero Investment Consultants Initiative (NZICI). Launched in September 2021, NZICI is an industry-led alliance of leading investment consulting firms endorsed by the United Nations Race to Zero campaign and supported by the Principles for Responsible Investment (PRI).

The NZICI commitment is designed to align JANA's operations and investment advisory services with the goal of net zero greenhouse gas emissions by 2050 or sooner. JANA's net zero commitment is made with the belief that, over time, action towards net zero alignment will enhance outcomes for our clients and does not supersede our fiduciary duty to deliver on risk adjusted return objectives.

For information on the nine separate NZICI commitments designed to focus action from the investment consultancy firms, please refer to the PRI page: [Leading investment consultants form global initiative to push for net zero.](#)

This report marks two years since our inaugural commitment and specifically captures our progress in implementing NZICI commitment number five:

With respect to our fully discretionary services, we will:

5. *Align with the Net Zero Asset Manager Initiative as soon as practically possible and within two years of making this commitment.*

The 'fully discretionary services' refers to the JANA Implemented Consulting business. This paper therefore provides further information on the integration of net zero into JANA's Implemented Consulting business.

JANA is not a member of the Net Zero Asset Manager Initiative (NZAM), but to meet the above commitment, we have leveraged public guidance from NZAM and other leading groups, as well as our view of investment manager best practice, to help inform our approach.

JANA's commitment is subject to the constraints, risks and limitations outlined in the '[Integrating Net Zero into our Implemented Consulting Business](#)' Section of this paper.

For additional information on how JANA integrates net zero into our broader business and investment advisory services, please refer to our [2023 Sustainability Report](#).

For additional information on how JANA integrates net zero into our broader business and investment advisory services, please refer to our [2023 Sustainability Report](#).



Our Net Zero Perspective

Sustainability is a broad area with a lot of complexity and, at times, confusion. For us though, the message is simple.

At JANA we believe positive real-world outcomes will deliver better investment outcomes over time.

This thinking drives our sustainability journey and permeates how we operate internally and how we look to assist our clients in meeting their financial and sustainability objectives. By assisting our clients to leverage the best insights and ideas, we help deliver superior long-term investment results that create prosperity and positive changes to the lives of everyday people.

JANA agrees with the global consensus, and the Australian government, that the world needs to achieve net zero carbon emissions. Additionally, JANA believes that:

- Net zero action is in the financial best interests of our clients and their beneficiaries; and
- A longer-term and systems-level view on how to achieve carbon emission reductions is required.

In the above context, JANA has made a **commitment to support the goal of global net zero greenhouse gas emissions reduction by 2050 or sooner**, and we are proud to be an inaugural member of NZICI.

Our approach to net zero is framed in the context of our role and duties to our clients and their beneficiaries. We note that changing client preferences or client types can impact our trajectory, and we will aim to be as transparent as possible in our ongoing reporting.

In the context of the legal and fiduciary duties of both JANA and our clients, at a simplistic level we believe there are two broad paths and strategies available to investors on a net zero journey:

1. Focusing on a portfolio emissions trajectory; or
2. Focusing on the real-world emissions trajectory.

In our view, focusing on reducing direct portfolio emissions is potentially helpful in mitigating transition risks for some of the more highly exposed companies and sectors; however, it is not clear that it will have the desired impact on decarbonising the economy.

A focus on financing emissions reductions rather than solely reducing financed emissions.

If the world is not on a net zero path, then we believe this poses greater long-term threats for the portfolio irrespective of the actions taken to reduce the carbon exposure or climate risk in the portfolio. Without this occurring, more extreme action may be required, and irreversible physical risks may begin to have greater impact, which will have a far worse portfolio impact.

In short, because climate change is a systemic risk that will have an impact on all regions and sectors, if you have a 'net zero aligned' portfolio, but the broader economy is still not on track to achieve net zero, your portfolio and business remain exposed to the risks of climate change.

JANA's approach for our Implemented Consulting business focuses on playing our role in supporting real-world emissions reductions, as we believe that will be the best outcome for all our clients and the broader economy over time.

Integrating Net Zero into our Implemented Consulting Business



JANA's Implemented Consulting business is core to what we do, with approximately half of our client base currently utilising these services.

It provides scale and efficiencies to clients by entrusting JANA with the day-to-day management of their portfolio implementation (within agreed parameters and objectives). JANA then leverages the investment insights generated through our global research program to deliver tailored investment strategies and access unique investment opportunities.

It is important to acknowledge three key elements of our Implemented Consulting business, being:

- JANA does not directly manage or hold any assets, rather we appoint investment managers to manage the assets;
- Our clients have engaged us to deliver on certain objectives, typically risk and return objectives; and
- Our clients may have a desired asset allocation or investment strategy that could influence our ability – positively or negatively – to meet net zero aligned goals over time.

Hence our commitment and actions need to be viewed through these constraints.

Our net zero commitment does not supersede the core role our clients have appointed us to assist them with. The commitment, and any actions taken, are intended to support our ability to deliver investment outcomes for our clients and their beneficiaries.

Given the constraints noted above, we acknowledge that **we may not meet our intended targets**. However, we believe they have sound basis today and by working towards them, it will deliver improved risk and return outcomes for our clients. We will also undertake periodic reviews of our plans to determine if the targets remain reasonable or should be improved upon if greater action is needed as time goes on.

This links to our belief that strong real-world outcomes will deliver better investment outcomes over time. Hence our commitment is focused on driving real-world change which we believe will deliver better climate and investment outcomes over time and is in line with the outputs of JANA's climate change scenario modelling.

The NZICI commitment as it relates to the JANA Implemented Consulting business requires JANA to align this part of our business to the Net Zero Asset Manager (NZAM) initiative. JANA is not a member of the NZAM initiative; however, we will ensure our investment approach aligns with the best practice guidance from the NZAM initiative, as well as leveraging the guidance from other groups including the Investor Group on Climate Change (IGCC) and the Glasgow Financial Alliance for Net Zero (GFANZ). Core to the frameworks from these groups is the development of interim targets, and this paper outlines the interim targets for JANA's Implemented Consulting business to support a 50% reduction in global emissions by 2030.

Globally, net zero approaches are more advanced in some asset classes and sectors than others, and that will influence our approach and actions. Currently there is more advanced data and guidance in listed equities, in addition to the property and infrastructure asset classes. We are working with data providers to obtain improved fixed interest data, as well as understanding approaches related to sovereign versus corporate issuers.

Portfolio Coverage

As part of our net zero commitment, JANA is aiming to include all Assets Under Management (AUM) within our Implemented Consulting business, for asset classes that have credible methodologies to calculate emissions data. Our approach will be informed by global investment manager and asset owner best practice guidance, as well as JANA's own research. As of June 2023, our commitment covers circa 83% of AUM, excluding only Alternative and Cash investments, and tailored client mandates held alongside a JANA Investment Trust.

50% Global Emissions Reduction by 2030

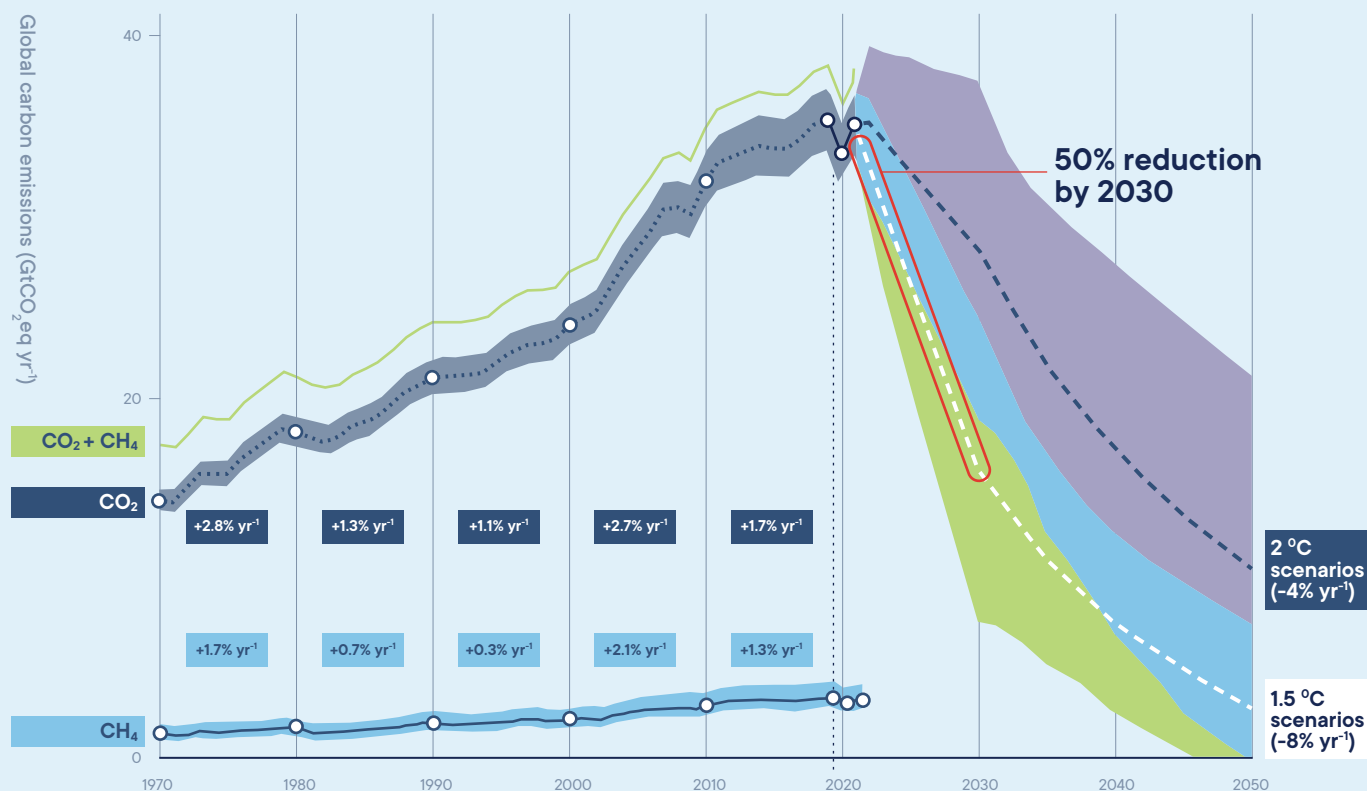
The Intergovernmental Panel on Climate Change (IPCC) found that to have a reasonable chance of limiting global warming to 1.5°C, we need net zero global emissions by 2050 and rapid decarbonisation of the global economy resulting in a reduction of CO₂ emissions of around 50% from 2010 levels by 2030¹.

The charts to the right show the carbon reduction that needs to be achieved by 2030, both globally and locally. It is important to acknowledge that it does not appear the world is on track for this reduction, nor net zero by 2050. Greater global action is required.

Best practice guidance from groups like NZAM, the IGCC and GFANZ is to have actions and targets that support this real-world emissions reduction. Leveraging key recommendations from the guidance for investors, JANA has developed interim targets for our Implemented Consulting business to support a 50% reduction in global emissions by 2030.

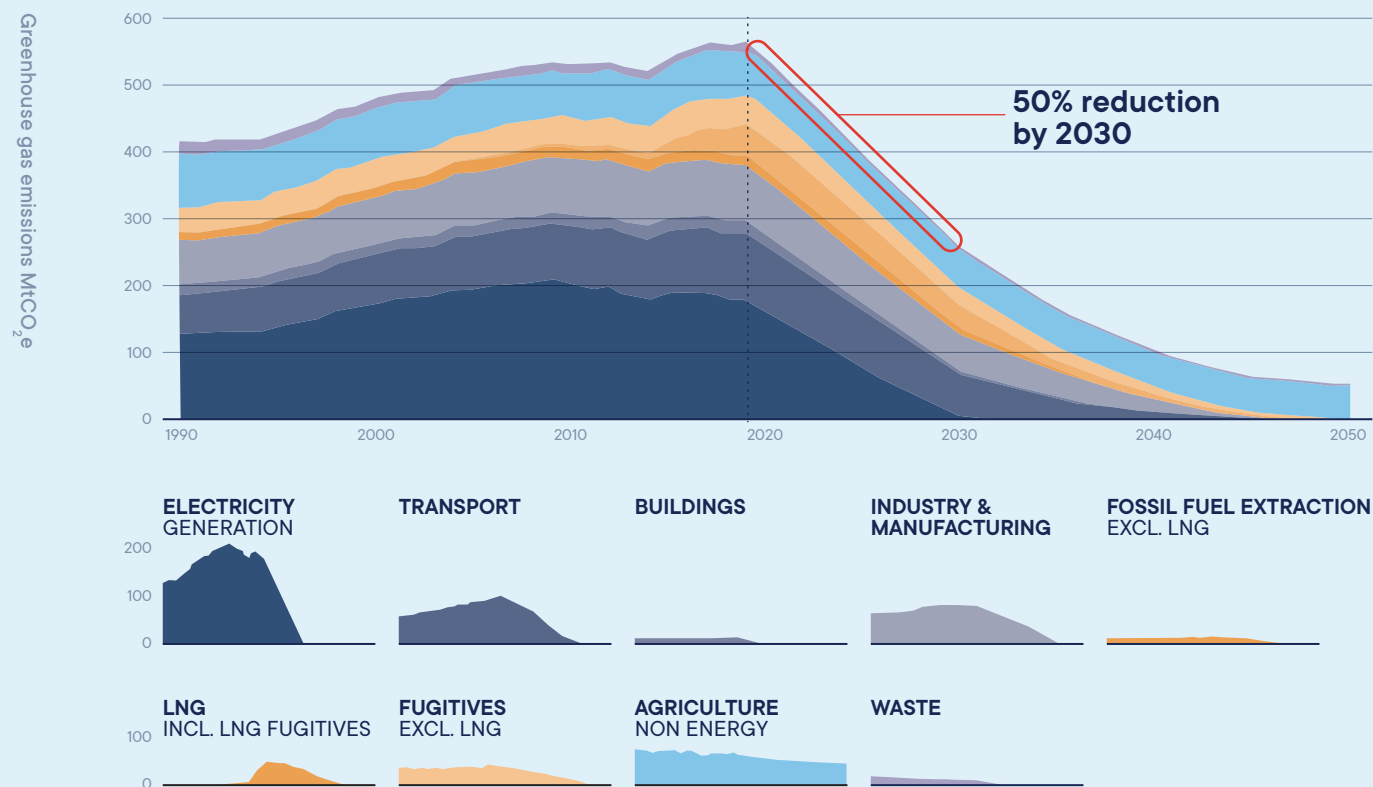
¹ IPCC Special Report: Global Warming of 1.5°C.

Global CO₂ and CH₄ emission trends²



Australia's emissions by sector³

1.5°C Paris agreement scenario emissions 1990 to 2050



² Source: [Monitoring global carbon emissions in 2021, Nature Reviews Earth and Environment](#).

³ Source: [Climate Action Tracker](#).

Interim Targets by 2030

Designed to support a 50% global reduction in CO₂.

JANA will reassess these targets in 2026, or earlier as required, with a view to ratcheting up ambition.

Manager Alignment

1

JANA Net Zero Targets

The targets we have developed will focus our actions on where our influence is best placed to drive real-world emissions reductions, rather than portfolio actions that drive accounting changes in portfolio level emissions in isolation.

JANA has developed the following three interim targets for the JANA Investment Trusts (JANITs) that play to JANA's strengths and ability to influence:

Long-Term Target: Net Zero Financed Emissions by 2050 (or sooner)

75% of JANIT AUM will be invested with managers that have net zero targets.

JANA allocates capital to investment managers (hereafter 'manager/s') who then invest into underlying portfolio companies and assets. Manager selection and ongoing monitoring is a key lever JANA has at its disposal. Ultimately recommending investing with managers who are themselves aligned to a net zero journey will be critical in JANA's ability to help deliver the desired outcomes.

As of June 2023, approximately 47% of AUM is invested with managers who have net zero targets.

We will encourage managers who have not made a net zero commitment to do so and verify they have plans and interim targets aligned with global guidance. Over time we will continue to focus on the viability of each manager's plans to deliver on their commitment.

We will use JANA's Net Zero Manager Assessment Framework to evaluate all the JANIT managers and set engagement priorities to uplift manager processes around the net zero transition.

We acknowledge this is also somewhat of a blunt metric, as we know there are some managers who are taking great action but do not have a net zero commitment per se. These managers may be reluctant to make a formal commitment for reasons including the political landscape of their main operational location. This has therefore influenced our view that this target need not be 100% of managers at the interim stage. We also acknowledge some investment strategies (e.g., Alternatives and Cash), as well as some sectors, have less clear transition pathways and it may be harder for managers in those areas to make commitments at this point in time.

Over the next 12 months, then on an ongoing basis, we will:

- Record and disclose the % of AUM within JANA's Implemented Consulting business that are managed by investment managers who have net zero targets.
- Encourage managers who have not made a net zero commitment to make them, where relevant, as well as verifying they have plans and interim targets aligned with global guidance.
- Use JANA's Net Zero Manager Assessment Framework to evaluate all JANIT managers and prioritise areas for engagement to uplift manager net zero ambition.
- Review all managers' approaches to the identification and management of physical and transition risks.
- Focus on the viability of the managers' commitments and net zero plan delivery.
- Select and monitor managers in line with the above perspectives.



Investment

2

2.5% of JANIT AUM will be invested across Climate and Transition Solutions.

Allocating capital within agreed objectives and constraints is a key tool at JANA's disposal to create positive change and outcomes in support of the net zero transition. This target is designed to ensure climate and energy transition solutions are considered as a focus when JANA invests client capital, with these areas being critical, in our view, in helping deliver real-world emissions reductions.

We will be transparent in capturing only deliberate and targeted allocations towards these areas. Allocations will not include, for example, indirect exposures to climate solutions in a typical listed equities portfolio. We will track and monitor the indirect exposures but recognise the figures will be variable and will not have been directly influenced by a JANA decision.

We anticipate most exposures that count towards this target will be 'climate solution' or 'climate transition' strategies, which

have 100% of the strategy invested into this thematic. However, some strategies may have a 'sleeve' or proportion of assets (particularly in real asset portfolios) that are dedicated to climate solutions, and if this exposure were a deliberate JANA decision, we would count that specific proportion of the strategy towards the target.

Using the principles above, our current exposure to climate solutions across our Implemented Consulting business is approximately 0.3% of AUM as of June 2023, with the majority of this position via the JANA Diversified Infrastructure Trust. To achieve the 2.5% target, we are investigating dedicated climate solution opportunities, as well as continuing to look for appropriate accretive investment opportunities within existing vehicles.

We note there are some asset classes and strategies more conducive to investing in climate and transition solutions. Therefore, if we have clients who require us to invest more in other asset classes that are not aligned to this theme, it may inhibit our ability to meet this target over time.

Over the next 12 months, then on an ongoing basis, we will:

- Monitor, measure and report the % of AUM that are specific and deliberate climate or transition solution strategies. This represents a decision by JANA to invest into specific strategies that meet certain criteria.
- Look to increase this amount, as appropriate, over time.
- Monitor, measure and report on the look-through exposure to climate or transition solution investments and investigate improved data sources for look-through reporting across asset classes.
- Seek improved reporting from managers on these exposures over time.
- Investigate climate and transition solution opportunities for our clients.

Portfolio Alignment

3

75% of JANIT portfolio holding companies and assets will have net zero targets.

Understanding and monitoring the underlying portfolio's company and asset net zero targets will help JANA track the success of JANIT manager engagement programs, as well as help us understand the investment community's contribution to change that is occurring in the real world.

JANA has determined that as of June 2023 approximately 40% of JANA's portfolio holdings have net zero targets in the asset classes for which data is available⁴.

Over the next 12 months, then on an ongoing basis, we will:

- Monitor, measure and report the % of AUM invested in assets and companies that have net zero targets.
- Look to increase this amount, as appropriate, over time.
- Continue to expand data analysis and coverage to help us assess the portfolio trajectory.
- Look to obtain information on the commitments, and whether they are aligned to best practice e.g. Science Based Target Initiative validation.
- Work with managers to prioritise engagement of material companies (either by largest aggregate emissions and/or investment \$ without appropriate net zero targets).
- Look to track and monitor manager engagement and voting around net zero commitments.

⁴ As of June 2023 JANA has access to portfolio net zero target data for Australian equities, international equities, infrastructure, and property portfolios. The status relative to this interim target is expected to improve once we establish a credible data solution for net zero target coverage within corporate and sovereign fixed interest portfolios.

Governance

In ensuring we make appropriate progress towards our net zero commitment, we have incorporated the following governance updates to our processes:

- Updated the Terms of Reference of the JANA Platform Investment Committee (JPIC) to include sustainability and net zero commitment definitions and review requirements.
- An Implemented Consulting Sustainability Specialist role was created and filled, providing oversight and accountability for all sustainability initiatives as outlined per the requirements of the JPIC Terms of Reference.
- Formally, any manager addition or change within a JANIT must be approved by the JPIC. The change proposals must consider the impact on the net zero commitment (including the carbon emissions profile) and ESG profile of the JANIT.
- On a quarterly basis, JPIC reviews the ESG Risk Ratings and carbon emissions of the JANITs where underlying carbon emissions data is available⁵.
- Provision to JPIC of an Annual Net Zero Progress Report relative to the interim targets.
- Requirement to review the suitability of the interim targets every three years, with the next review to occur in 2026.

⁵ We currently only have emissions data on our equities JANITs, and this will be broadened once we identify a suitable data provider to measure emissions in other asset classes.



Reporting and Next Steps

JANA will continue to provide all Implemented Consulting clients with an annual report covering our assessment of each manager within each JANIT and a holdings-based report on ESG factors and financed emissions (currently Scope 1 and Scope 2 emissions). As of 2023, JANA has included a summary and analysis of each client's share of JANIT financed emissions (for the asset classes we can measure) and from 2024, JANA will look to include an analysis of the underlying managers' net zero commitments.

JANA will endeavour to provide all clients with timely and transparent updates in regard to our plans and progress towards our net zero commitment, including if any material changes are required.



DISCLAIMER

This document is issued by JANA Investment Advisers Pty Ltd (ABN 97 006 717 568) (AFSL 230693) ('JANA'). It is intended for use only by the addressed recipient on the basis they are a 'wholesale client' (as defined in the Corporations Act 2001). Interests in the JANITs are issued by Channel Investment Management Limited (ABN 22 163 234 240) (AFSL 439007) ('Trustee'). JANA has been appointed by the Trustee as adviser to the JANITs. Before deciding to invest in a JANIT, please refer to the Information Memorandum (IM) issued by the Trustee, available from <https://jana.com.au/janainvestmenttrusts/>. An investment in a JANIT is not a deposit with and does not represent a liability of the Trustee or JANA. Where JANA relies on third parties to provide information used in this document, JANA, its Directors, and its employees, are not responsible for the accuracy of that information. Opinions expressed constitute JANA's judgement at the time of this publication and are subject to change. Subsequent changes in circumstances may also affect the accuracy of the information.

JANA does not provide any guarantee about the future performance of the investment products, managers, asset classes or capital markets discussed. Except where statute liability cannot be excluded, no liability (whether arising in negligence or otherwise) is accepted by JANA, its Directors or its employees for any errors or omissions, or for any losses caused to any persons acting on the information contained within this document.

IMPORTANT INFORMATION

This document is issued by JANA Investment Advisers Pty Ltd (ABN 97 006 717 568) (AFSL 230693) ('JANA').

It is intended for use only by the addressed recipient on the basis they are a 'wholesale client' (as defined in the Corporations Act). The information is general information only and any opinions expressed constitute JANA's judgement at the time of this publication and may be subject to change.

© Copyright JANA 2023

jana.com.au

